

# Role of Chartered Accountants in Disaster Management

## BACKGROUND

**T**he last two decades have seen mankind devastated by natural disasters as well as major terrorist acts. The impacts of these in social and economic terms, has been far extensive than perhaps at any other point of time in human history except the two World Wars.

It is not possible to eradicate disasters completely. However, experience has shown that the damage from natural hazards can be minimised by way of a comprehensive Preparedness Plan, which includes an early warning system, combined with preparedness on part of the vulnerable community as two of its essential components.



"A very appropriate example here can be given of a leading Petroleum Refinery. Initially it was supposed to have seismic resistance for earthquakes measuring upto 6 on the Richter scale. On the advice of its Chairman, a few more hundreds of crores rupees were spent to make it seismic resistant for earthquakes measuring upto 9 on the Richter scale. This historic action saved not only the refinery at the time when a high intensity earthquake hit that area, but also served the people there in time of need by providing drinking water to them."

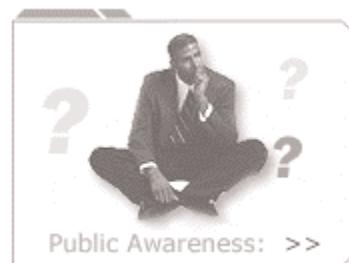
The preparedness phase involves procurement, storage and maintenance of the physical resources; all have costs, which need to be taken into account in the plan. Training and re-training of disaster management teams are equally important and costs of such training together

with the cost of essential equipment for the teams must also be taken specifically into account.

What is important for professional accountants and financial managers to realise is that disasters can be seen as events, with level of probabilities attached to and can therefore be planned for. It is true that a disaster is an emergency, however, if one does not have a plan, then the economic, human and particularly, the financial dimensions of that emergency become uncontrollable. In such situations, benefits do not reach the beneficiaries and most often economic rehabilitation is either delayed or does not happen at all.

More the stringent control called for by the concerned authority (ies), broader would be the scope for the accountants to share social responsibilities. Generally, free flow of funds, in the event of disaster carries a high risk of financial fraud unless being controlled collectively, reviewed periodically and reported routinely. Failure of which may worsen the worries of the affected mass as well as bring additional burden to the community in the form of tax load may be directly or indirectly. Undoubtedly, Chartered Accountants are capable enough to cope with the control aspects more competitively with a view to serve the society passively in the context of disaster management.

Given the scale and extent of impacts, the cost of mitigation to Government and societies has been huge. While many nations in the developed countries have created extensive physical infrastructure as well as community and city/state wide plans for dealing with disaster, the developing countries are yet to recognise the need to develop plans to deal with such contingencies. Even in these developed countries keeping a proper control on the garnering and deployment of financial resources has



not received an equal amount of attention. There seems to be some kind of an unwritten and unstated assumption that money for disaster mitigation should not be counted.



The above goes against the basic tenets of assuring effective use of financial resources. There are many dimensions to this and the combined scenario does require to ensure that benefits reach the actual beneficiary, and the money is not spent wastefully. Every penny saved through the exercise of prudence (without sacrificing the speed of the mitigation process) should be channelised for obtaining more benefits for the disaster affected, and it should be ensured that proper financial planning both at the micro and macro levels be instituted to speed up and make effective the process of post disaster rehabilitation.

## **ROLE OF CHARTERED ACCOUNTANTS IN DISASTER MANAGEMENT**

The purpose of involvement of professional accountants in disaster management is as below:

- Evaluating the possible extent of financial damage caused by different kinds of disasters including the verification of estimates and valuation of disaster affected assets.
- Evaluating the different alternative plans for coping with disaster from the financial perspective.
- Evaluating the procedures in place and procedures and systems plans for mitigation from the viewpoint of financial effectiveness and prudence.
- To advise, devise and evaluate different plans for assuring that resources would be available for disaster mitigation at the time and place needed.
- To advise on alternative plans for post-disaster management and rehabilitation with specific attention to assuring financial security to the affected, availability and proper use of financial resources for generating new economic opportunities etc.



- To be involved with city management organisations, community organisations, corporates, the Government and various levels of agencies during the process of disaster mitigation to ensure that the financial systems and procedures are followed as per designed plan.



- To be involved with the coordinating organisations during the post-disaster phase to ensure the smooth flow of financial benefits to the beneficiaries and to also assure that the area remains financially attractive for investing companies including companies offering financial services.
- To be engaged in the continuous audit of the disaster management process.
- To advise at the corporate level on creation of necessary reserves and financial management subsequent to the occurrence of disasters.
- To advise Governments on the prudent use of financial resources in making allocations for Disaster Management.

It is clear from the above that there are two major functions in the initial part of disaster management:

1. The evaluation of the extent of direct damage and collateral damage.
2. The quantification in financial terms of the mitigation exercise.

Following from these, there are a number of other important areas, which will require clear understanding of the financial impact of the disaster. These include the post-disaster rehabilitation measures as well as the verification of end-use of funds and the provision of assurance and auditing services for inter-organisational transfers of funds.

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